

Message Text

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PAGE 01 BAGHDA 01361 011314Z
ACTION NEA-11

INFO OCT-01 EUR-12 EA-10 ISO-00 MCT-01 EB-08 COME-00
TRSE-00 OMB-01 DOE-15 CIAE-00 DODE-00 PM-05 H-01
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FM USINT BAGHDAD
TO SECSTATE WASHDC 6404
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO

C O N F I D E N T I A L BAGHDAD 1361

E.O. 11652: GDS
TAGS: PINS, PORS
SUBJECT: IRAQI EMBARGO ON IMPORTS FROM FRG

REF: STATE 136074

1. ACCORDING TO AMBASSADOR MENNE, THE FRG IS ONCE AGAIN
CONVINCED THAT THE IRAQI EMBARGO IS THE RESULT OF
ECONOMIC AND NOT POLITICAL PROBLEMS. THIS APPARENTLY
BECAME CLEAR DURING THE VISIT LAST MONTH OF A STATE
SECRETARY FROM THE MINISTRY OF ECONOMY
(ROHWEDDER, PH), WHO ASSURED THE IRAQIS THAT THE LOW
LEVEL OF IMPORTS OF IRAQI CRUDE WERE IN NO WAY RELATED
TO POLITICAL ISSUES. IN RETURN, THE IRAQIS ASSURED THE
GERMANS THAT THE EMBARGO REFLECTED A DESIRE TO REDRESS
THE PAYMENTS IMBALANCE AND HAD NO POLITICAL OVERTONES.

2. MENNE SAYS THAT A DELEGATION WILL SOON BE COMING,
REPRESENTING THE OIL IMPORTERS OPERATING IN WEST GERMANY.
THE TOPIC FOR DISCUSSION WILL BE THE POSSIBILITY
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OF ESTABLISHING A PROCEDURE WHEREBY DELIVERIES
OF IRAQI CRUDE TO THE FRG CAN BE MORE REASONABLY
QUANTIFIED. AT PRESENT, ACCORDING TO MENNE, THERE IS
NO MECHANISM FOR DETERMINING SUCH DATA. HE ADDS
THAT THE HIGHER COST OF PURCHASING ANY ADDITIONAL IRAQI OIL,
COST IS THE PRINCIPAL REASON THAT THE FRG BUYS SO LITTLE, AMY
PERHAPS BE REIMBURSED TO THE OIL IMPORTERS BY THE WEST GERMAN

EXPORTERS WHO ARE INTERESTED IN MAINTAINING A SHARE OF THE IRAQI MARKET. THIS IS TO BE A PURELY PRIVATE ARRANGEMENT, WITH NO GOVERNMENTAL INPUTS.

3. WEST GERMANY HAS ABOUT 100 COMPANIES ACTIVELY ENGAGED IN BUSINESS IN IRAQ. THE DECISION TO STOP IMPORTS HAS NOT ONLY IRRITATED THE COMPANIES, ACCORDING TO MENNE, BUT THE FRG AS WELL, SINCE THERE IS NOT GOVERNMENT ENTITY THAT COULD PLAY A ROLE IN BOOSTING OIL PURCHASES FROM IRAQ. THE INVESTMENTS OF TIME AND MONEY IN ESTABLISHING A GERMAN PRESENCE WERE MADE IN GOOD FAITH AND MENNE SAYS THE CURRENT IRAQI BEHAVIOR HAS ANNOYED A GREAT NUMBER OF PEOPLE. HE POINTS OUT THAT SALES TO IRAQ ARE LESS THAN 1 PERCENT OF WEST GERMANY'S TOTAL EXPORTS AND THE LOSS OF THAT MARKET WOULD NOT BE CONSIDERED SIGNIFICANT. HE DID NOT MENTION IF THIS POINT HAD BEEN MADE TO THE IRAQIS.

4. COMMENT: THE FRG'S PLIGHT HAS NOT GONE UNNOTICED BY OTHER COUNTRIES WHO SELL MORE THAN THEY BUY. SWITZERLAND, SWEDEN AND JAPAN, IN PARTICULAR, MAY BE FACED WITH THE NECESSITY OF MAKING MOVES SIMILAR TO WEST GERMANY'S IF THEY HOPE TO RETAIN THEIR SHARE OF THE MARKET. IRAQ HAS SHOWN ITSELF PERFECTLY CAPABLE FOR EXTRACTING THE GREATEST POSSIBLE BENEFIT FROM ITS TRADING RELATIONSHIPS.
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